

## PAYDAY LOANS IN IDAHO CONTINUED. . .

- Accepting any property, title to property, or other types of collateral for a payday loan
- Renewing a payday loan more than three (3) consecutive times. After three (3) renewals the loan must be paid in full before another loan is extended

Imposing any other fee to a payday loan borrower other than the agreed-upon finance charge

The Idaho Department of Finance is the regulatory and licensing authority for entities whose activities are regulated by the Idaho Credit Code, Idaho Residential Mortgage Practices Act, Idaho Mortgage Company Act, the Idaho Escrow Act, and the Idaho Collection Agency Act. The goal of the Department is to assure the availability and quality of consumer finance services, and ethical debt collection practices in Idaho.

For Idahoans who have a complaint against a licensee, the Department offers a consumer affairs response program. The consumer affairs response program relies largely on the cooperation of both parties to resolve a dispute and complaints are often resolved through this process. However, as determined solely by the Department, complaints may also result in civil or administrative enforcement actions.



### IDAHO DEPARTMENT OF FINANCE MISSION STATEMENT

To aggressively promote access to vigorous, healthy and comprehensive financial services for Idaho citizens. This is accomplished through prudent and efficient oversight of financial institutions, investment opportunities and credit transactions

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#### The Idaho Department of Finance

maintains a list of its current licensees, including payday lenders,

on its website (<http://finance.idaho.gov>).

STATE OF IDAHO  
DEPARTMENT OF FINANCE

## PAYDAY LOANS IN IDAHO

### A BORROWER'S RIGHTS AND REMEDIES



**Idaho Department  
of Finance**

# PAYDAY LOANS IN IDAHO

## A BORROWER'S RIGHTS AND REMEDIES



Payday loans are short-term loans available to borrowers looking for quick, no-hassle cash - fast. Payday loans are offered at a comparatively high price to borrowers for a short time. Most payday loans work like this: Borrowers, under the terms of a payday loan, are asked to write a postdated check for the amount borrowed - plus a fee - which is agreed upon in the payday loan contract. The borrower then receives the amount of the check back in cash, money order, or other payment mechanism, minus the fee. The borrower then has the choice of taking cash back to the payday lender, to repurchase the check, or having his/her postdated check deposited or electronically presented at the end of the short-term loan.

Payday loans are regulated under the Idaho Credit Code by the Idaho Department of Finance. The Department of Finance urges borrowers who may be considering a payday loan to become aware of what their rights are under the law, and consider all choices and alternatives before entering into a contract.

### ALTERNATIVES AND CHOICES:

Borrowers in need of cash should always consider their loan options and compare loan fees offered by other lenders before borrowing.

When shopping for a loan, borrowers should always look for the lowest annual percentage rate (APR). Choices may include:

- ◆ Banks, Credit Unions, or smaller loan companies
- ◆ Employers
- ◆ Local government programs in the consumer's community
- ◆ Family members

If a payday loan is the chosen option, the Federal Trade Commission (FTC) warns consumers to "borrow only as much as you can afford to pay with your next paycheck and still have enough to make it to the next payday." Payday loan fees average about \$20 for every \$100 borrowed for a two week period. Annualized, that amounts to an interest rate of over 500% APR.

If a citizen is behind on a payment, they may consider contacting the creditor to make them aware of their dilemma and ask for more time to pay. A creditor may have a reduced payment program in place to help borrowers who need short-term assistance. Borrowers also may want to seek the assistance of a licensed credit or debt counselor who can provide service to debtors in the management of their debts. Credit or debt counselors are licensed and regulated by the Idaho Department of Finance. A listing of licensed counselors can be found on the Department's website at <http://finance.idaho.gov>.

### PAYDAY REQUIREMENTS UNDER FEDERAL AND STATE LAW:

Payday companies doing business in Idaho are regulated by the federal Truth in Lending Act (Regulation Z) and the Idaho Credit Code. Truth-in-Lending laws require disclosures to be made to borrowers in plain language and in a conspicuous manner. In addition, Truth-in-Lending requirements mirror many of Idaho's requirements as outlined below.

Idaho law requires the following from payday loan companies doing business in Idaho:

- ◆ Payday loan companies must be licensed in Idaho before offering a payday loan
- ◆ Licensees cannot loan to any one borrower more than \$1,000

- ◆ Each licensee must post a notice of fee costs, expressed in a dollar amount as a cost per \$100
- ◆ Before doing business with a borrower, licensees must disclose to the borrower that:
  - payday loans are short-term loans
  - the borrower will be required to pay additional fees if the loan is renewed
  - the borrower may rescind/cancel the loan, at no cost, no later than the end of the next business day following the day the payday loan was made
  - the costs for the payday loan must be disclosed as an annual percentage rate (APR) on a Truth-in-Lending form

Payday loan companies may charge any interest rate on the short term loan, so long as it is agreed upon by the borrower, and it is expressed in dollar amount and annual percentage rate in the contract.

### PAYDAY LOAN VIOLATIONS OF THE ACT:

Payday loan licensees doing business in Idaho are prohibited from:

- Accepting payment for a payday loan through the proceeds of another payday loan made by the same payday lender
- Having outstanding payday loans to a borrower in excess of \$1,000